

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 06/25/2012
POSITION: Oppose

BILL NUMBER: SB 728
AUTHOR: Negrete McLeod, Gloria

BILL SUMMARY: Medi-Cal: durable medical equipment reimbursement.

This bill would increase the maximum allowable reimbursement rate for certain durable medical equipment (DME) billed to the Medi-Cal program. Current law allows the reimbursement rate to be set by using the manufacturer's suggested retail price, minus a discount, as documented by a printed catalog from June 1, 2006. This bill would retain the requirement to submit a catalog page, but would allow the page to be from a current catalog that shows the price on or prior to the date of service.

FISCAL SUMMARY

This bill would result in a significant increase in General Fund expenditures by increasing reimbursement rates for DME service providers in the Medi-Cal program. Existing law requires the Department of Health Care Services (DHCS) to establish reimbursement rates for all DME billed to the Medi-Cal program. If there is no maximum allowable rate specified for certain items, the DHCS uses a "lesser of" methodology to set the reimbursement rate. One of the five "lesser of" options is to establish a base amount and then apply a discount of up to 20 percent. In this instance, the base amount is established by using the manufacturer's suggested retail price as verified by submission of a catalog page. Current statute requires that the catalog page be from June 1, 2006. By changing the catalog year from 2006 to 2012, this bill would increase the cost of Medi-Cal DME services associated with the base amount option. The DHCS was unable to determine how often the base amount methodology was used to determine the least expensive option for this benefit. However, even if this option is used occasionally under current law, the bill would result in a significant increase in General Fund expenditures.

COMMENTS

This bill would allow DME providers to submit a printed catalog page, or a copy of an electronic catalog page, that documents the manufacturer's suggested retail price at any date on, or prior to, the date of service. The author's office believes that removing the requirement to use 2006 catalogs and base prices will help providers to easily participate in the Medi-Cal program because they will not have to rely on six-year old manufacturer's suggested retail price listings.

The Department of Finance opposes this bill for the following reasons:

- This bill would significantly increase General Fund expenditures.
- This bill is unnecessary. It would increase reimbursements to DME providers in the Medi-Cal program. However, the DHCS is not aware of any access problems for DME services in the Medi-Cal program or other policy rationale that would justify an increase in rates.

Analyst/Principal (0543) A.Dorsey	Date	Program Budget Manager Ken DaRosa	Date
Department Deputy Director		Date	
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)

BILL ANALYSIS--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

Negrete McLeod, Gloria

06/25/2012

SB 728

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)						
	LA	(Dollars in Thousands)						
	CO	PROP					Fund	
	RV	98	FC	2012-2013	FC	2013-2014	FC	2014-2015